

Agricultural Marketing and Income

FARM income has declined in the past 2 years. Domestic consumption of farm commodities has continued to increase, but the combination of larger output with some acceleration in cattle marketings and a reduction in exports resulted in a declining price trend from the post-Korean peak of early 1951 to the first quarter of 1953. There was little further change in average farm prices during the second and third quarters of 1953.

Gross farm income edged downward in 1952 from the preceding year and rising production expenses reduced net income of farm operators to \$14.2 billion from \$16 billion in 1951 and a postwar average of \$14.5 billion. On the basis of estimates available at the end of the third quarter, gross farm income in 1953 was running somewhat lower than in 1952, with net income off to about \$12.5 billion.

Per capita farm income in 1953 is moderately below the average for the postwar period and 10 to 15 percent below 1951 and 1952. Since nonagricultural income has continued to advance, the share of aggregate farm income in total income has declined. On a per capita basis farm income in relation to nonfarm income has returned to its position at the beginning of World War II, after being substantially higher throughout the war and most of the postwar period.

The trend in net farm income in the past 2 years reflects a moderate decline in cash receipts from marketings together with some increase in production expenses in 1952, and only a slight easing of the latter in 1953, according to preliminary estimates.

Gross farm income for 1953 is estimated to be about the same as in 1948, but net farm income is off by \$4 billion from the \$16.7 billion postwar peak.

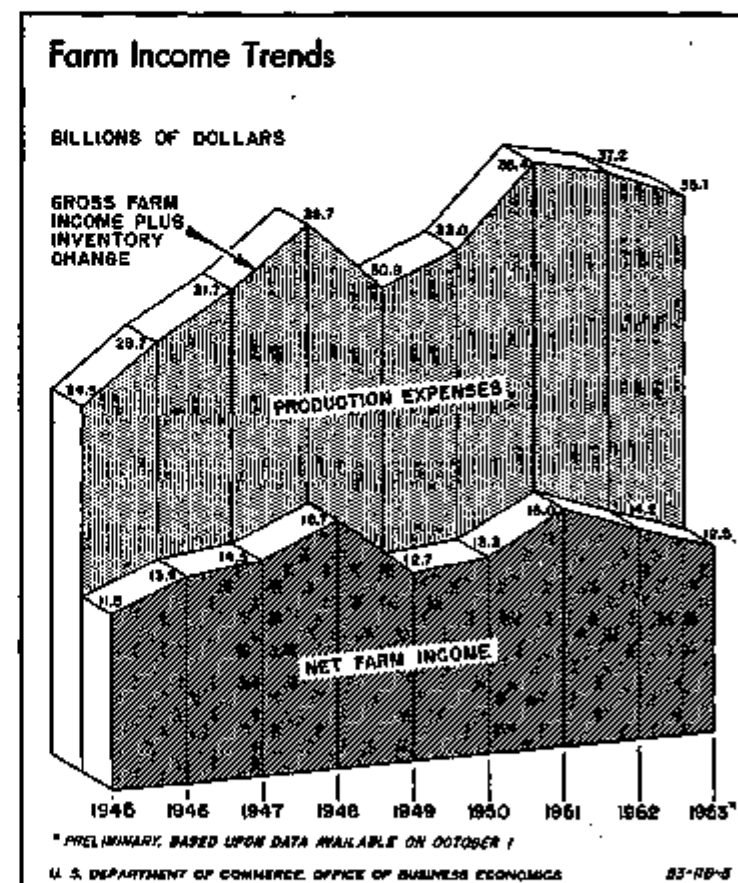
Exports decline

An important factor in the decline in the value of United States agricultural products in the past 2 years is the curtailment in the expanded export market of the war and reconstruction period, and in the immediate post-Korean upsurge. In the year following June 1950 part of the increased demand in both foreign and domestic markets was met by a reduction in stocks acquired in the preceding 2 years by the Commodity Credit Corporation (see lower panel of chart on cash receipts). In 1952 the value of agricultural exports from the United States was \$3.4 billion, a decline of about \$600 million from the high point reached in 1951. Most of the drop occurred in the latter half of the year and there was some further decline in the first half of 1953.

The principal agricultural commodities experiencing reduced export demand—cotton and wheat are the most important—have received extensive price support from

the Commodity Credit Corporation. Some of the commodities, however, such as corn and dairy products, which have also received substantial price support have not been materially affected by the decline in agricultural exports.

For the fiscal year ending June 1953, 20 percent of crops marketed were purchased by the CCC or pledged for



price support loans. Price support extended by the CCC totaled \$2.8 billion during the year as compared with about \$1 billion in the preceding year. With this support buying, prices of crops averaged slightly higher in 1952 than in 1951, and the volume of marketings, including CCC loans and purchases, was also larger.

During the latter part of 1952, however, there was a considerable drop in crop prices, and despite the flow of commodities into government purchase or loan account, crop prices in the first 9 months of 1953 were 10 percent lower

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than a year earlier. With marketings again heavier, cash receipts from crop sales were slightly lower than a year earlier—actually up a little in the first quarter and down somewhat in the second and third quarters.

There has been a considerable increase however in stocks of farm products, principally in the hands of the CCC. Total inventories and outstanding loans of this agency reached \$3.5 billion on June 30, 1953, a rise of \$2 billion during the fiscal year. Under the provision of the Agricultural Adjustment Act of 1938 as amended, the rise in stocks necessitates the revival of crop control measures designed to curtail output in line with the shrinkage in demand. Support prices are to be maintained at 90 percent of parity for the 1954 crop.

Cash receipts from the sale of livestock and livestock products—exports of which are of little significance—have also moved lower. Such receipts were 8 percent less in 1952 than in the preceding year and in the first three quarters of 1953 were 5 percent less than in the corresponding period in 1952.

Perhaps the most important influence leading to the decline in agricultural prices and income in 1952 and 1953 has been an increase in production and marketings. In 1952 the volume of farm marketings rose 5 percent from the preceding year to 155 percent of the 1935-39 average, a new high. The volume of crops marketed was second only to 1949, and livestock marketings set a new high. In the first half of 1953, marketings, including commodities purchased by or pledged for loan to CCC, were again somewhat higher than in the corresponding period a year earlier. Widespread droughts in the late summer months brought some reduction in crop production forecasts for 1953, but total marketings for the year will probably set a new record high.

Domestically, we have experienced a continuing strong consumer demand for food (and clothing as well). Consumer expenditures for food (including alcoholic beverages) rose from \$69 billion in 1951 to \$72.6 billion in 1952, rising in each successive quarter on a seasonally adjusted basis. Food spending has also advanced in 1953, reaching a rate of \$75 billion in the second quarter. The rise in food purchases during the latter half of 1952 and the first half of 1953 did not quite keep pace with the further advance in personal disposable income, declining from about 31 percent of income in the first half of 1952 to 30 percent in the first half of 1953. Thus, with larger supplies, consumers' prices of food have declined slightly but total consumer expenditures for food have continued to rise.

Comparative price movements

For the groups of commodities for which roughly comparable prices and volume estimates are available the absolute decline at retail appeared to be about as much per pound, per dozen, or per quart as the absolute decline at the farmers' level, when crude adjustments are made for normal shrinkage and loss in marketing channels. On a percentage or relative basis, however, the decline at retail was considerably smaller. In other words, marketing costs and margins—including processing, storage, etc.—remained relatively stable in absolute amounts and hence increased in relative terms.

The net effect of these developments has been a moderate decline in farm receipts accompanying increased supplies marketed, whereas consumer purchases have continued to edge upward with rising volume and little change in retail prices. Farmers' production costs have remained high, with some advance in those incurred for nonfarm items such as labor, machinery, interest, and taxes about offset by lower cost for farm-produced items such as feed and livestock purchased for feeding and stock breeding herd replacement.

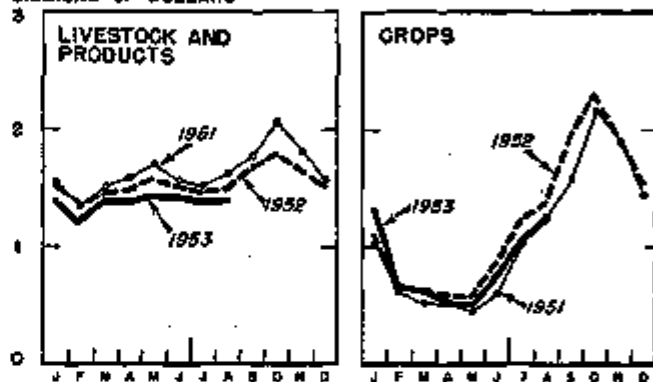
Variations in supply

The readjustments in farm income have varied by commodity, and because there is considerable regional specialization, by areas of the country. Since crop production is substantially in excess of combined domestic and foreign demand at present price support levels, which extend through 1954 for basic commodities and possibly others, a curtailment in output of some products is scheduled for the coming year.

Cash Receipts From Farm Marketings

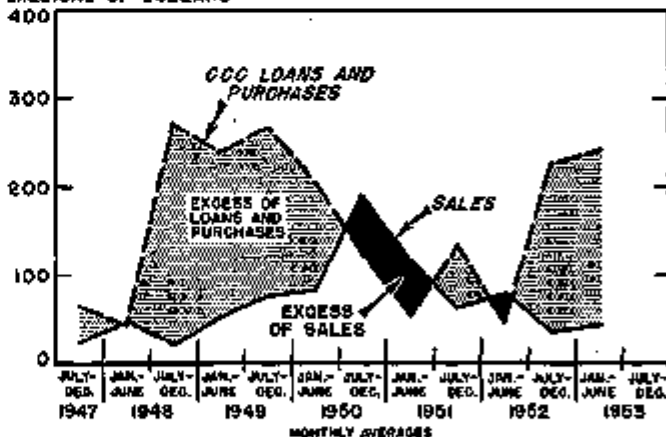
Livestock receipts are off more than crop receipts as . . .

BILLIONS OF DOLLARS



increased price support activity limits declines for crops

MILLIONS OF DOLLARS



U. S. DEPARTMENT OF COMMERCE, OFFICE OF BUSINESS ECONOMICS

ES-115-6

Wheat, corn, and cotton account for nearly half of the acreage of cropland in the United States. Though there are essential differences in the demand situation and outlook for these commodities, there are also broad similarities in their general supply position. Supplies are substantially above normal in each case and they have risen progressively in each of the past two seasons. Stocks of wheat and of cotton in other exporting countries are also large and such countries are now supplying a greater portion of world trade than in the earlier postwar years.

Wheat marketing quotas

Domestic consumption (disappearance) of wheat has been quite stable in recent years at around 700 million bushels—about the same as in the years immediately preceding World

War II. Per capita consumption of wheat has shown a long-term decline as other foods have partially replaced cereals in the diet. Price relationships between wheat and feed grains have limited the feeding of wheat to livestock.

Estimated carryover of wheat July 1, 1953 was 560 million bushels, which together with production of 1,170 million bushels and imports estimated at 5 million bushels gives a supply of 1,735 million bushels for the coming year. Consumption and exports are estimated by the Department of Agriculture at 960 million bushels, leaving a projected carryover of about 775 million bushels July 1, 1954. Marketing quotas are mandatory if wheat supplies are 20 percent above "normal" (defined by law as consumption plus 15 percent). The supply of wheat as of July 1, 1953 (1,735 million bushels) was about 50 percent above "normal".

The acreage allotment for the 1953-54 wheat crop has been set at 62 million acres, or about 20 percent lower than plantings in each of the past 2 years. Farmers growing not over 15 acres or 200 bushels of wheat are not subject to quotas. Marketing quotas for wheat have been in effect only twice, in 1941 and in 1942. The acreage planted in those years was about equal to the allotment though, under unusually favorable weather conditions, yields rose substantially.

Rise in cotton carryover

A decline in exports of United States cotton in the year ending July 31, 1953 was accompanied by a roughly equivalent rise in carryover stocks—from 2.8 million to 5.5 million bales. The 1953 crop is estimated at 15.6 million bales, a little larger than the harvest in each of the two preceding seasons. Total supplies for the present season, August 1, 1953 to July 31, 1954, consequently are about 21 million bales, whereas domestic consumption plus exports are estimated at around 13 million bales. "Normal" supplies, which include a 30 percent reserve above estimated annual requirements, are about 17 million bales, or 4 million bales less than total supplies for the year ahead.

Under existing legislation marketing quotas for cotton must be proclaimed whenever the total supply for the marketing year is larger than the normal supply. The amount of the marketing quota for cotton is that required together with estimated carryover and imports to make available a normal supply of cotton, but the minimum quota is 10 million bales for the 1954 crop. Consumption and export requirements have been estimated at about 13 million bales for the 1953-54 marketing year, which would leave a carryover August 1, 1954, of approximately 7.5 million bales. This together with the minimum quota would provide a supply of 17.5 million bales for the marketing year beginning August 1, 1954. Marketing quotas are subject to a grower referendum in which two-thirds approval of those voting is required.

Corn carryover larger

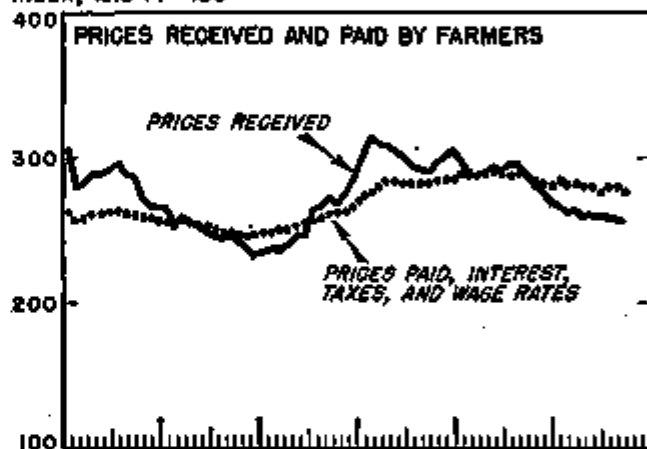
Corn and feed grains prospects as a whole have been altered as a result of declining yield prospects in the latter part of the 1953 growing season. The 1953 corn crop is estimated (as of September 1) to be somewhat smaller than the 3.3 billion bushel harvest of 1952 though above the 10-year average. The carryover of corn on October 1, 1953, was 300 million bushels larger than a year earlier. But production of other feed grains is below average and carryovers are small. The indicated supply of feed concentrates for the year ahead is estimated to be moderately higher than in each of the 2 preceding years and the number of grain-consuming livestock is lower.

The principal development in the feed market is a substantial reduction in domestic consumption by livestock. During the past year the estimated rate of feeding per animal unit declined and hog production was curtailed. Farmers have reported that they expect to farrow fewer pigs in the fall of 1953 than a year earlier. Nearly 1 billion bushels of corn were sold from the 1952 crop, 300 million bushels more than from the preceding crop. The volume of sales through regular markets was about the same in each of the 2 years with increased sales from the 1952 crop representing CCC price support expenditures.

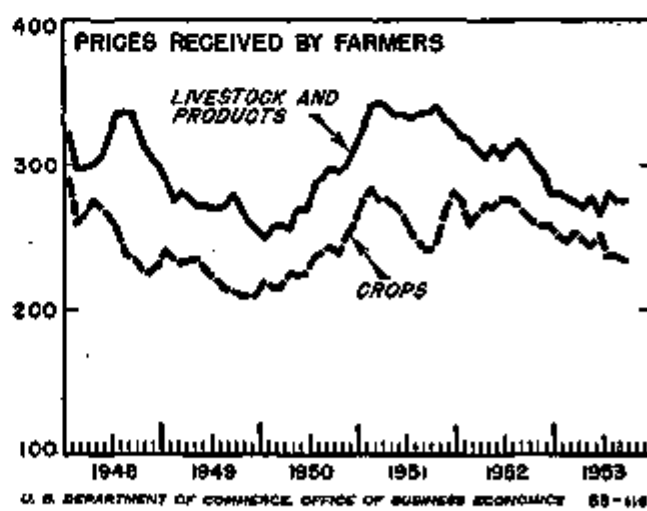
Agricultural Prices

Prices received have fallen substantially more than prices paid . . .

INDEX, 1910-14 = 100



with livestock prices leading the decline



Cash receipts from marketing of all feed grains were about the same in 1952 as in 1951 and were running higher in the first half of 1953 than in the corresponding period a year earlier. Thus the downward adjustment in prices and consumption has not yet affected farmers' income. Support

at 90 percent of parity is provided for the 1953 crop as well as the 1954 crop.

Cattle receipts down

Cash receipts from livestock and products have declined substantially in the past 2 years chiefly as a result of increased marketings. The rise in supply has been most

year earlier. Thus, cash receipts from the sale of beef cattle were off in 1952 and in the first half of 1953 were about 15 percent (12 percent for slaughtered cattle) lower than in the first half of 1952.

Some moderate decline in prices was to be expected when the building up in herds in the past few years came to an end and this has been hastened and accentuated by drouth conditions in various areas of the cattle-growing states. Consumers' prices for beef in the first half of 1953 were about one-fourth lower than a year earlier, and consumption was proportionately higher, with consumer expenditures approximately unchanged. The leveling off in consumer outlays accompanied an appreciable rise in incomes during this period, so that the portion of the consumers' dollar going for beef declined from the very high fraction that has been characteristic of the past several years.

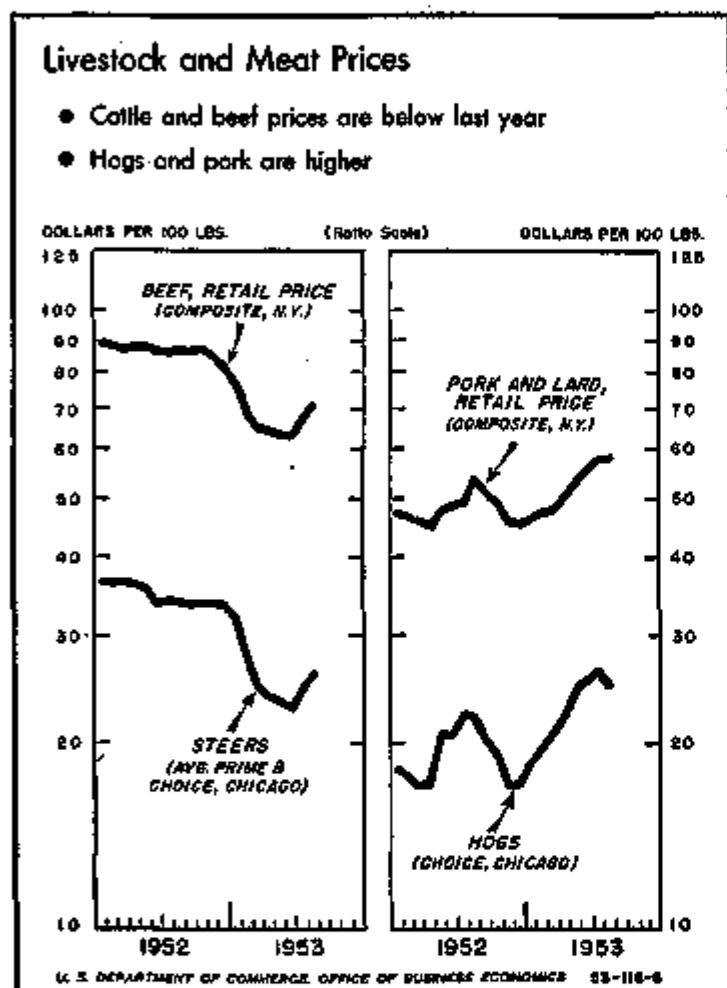
Fewer hogs, higher prices

On the other hand, cash receipts from hog marketings have been well sustained. In the first half of 1953, they were about the same as in the corresponding period a year earlier with pork production down more than one-tenth and prices correspondingly higher. Pork production is expected to continue below a year ago throughout 1953, reflecting a decline of 10 percent in the number of pigs farrowed in the spring of the year. Furthermore, marketing weights were below a year ago in the early part of the fall marketing season, though hog prices were high in relation to corn prices and there were discounts on lighter weight animals.

The marketing of hogs at light weights under the circumstances which normally result in feeding to heavier weights appears to be part of a general shortening of commitments by livestock growers. A further anticipated cut in the pig crop in the fall of 1953 was reported by farmers in June of this year. Fed cattle are also being marketed at lighter weights and the number going on feed is lower than a year earlier. Increases in poultry production are less than those usually associated with the favorable feed-product price ratios prevailing in the past several months.

Poultry and egg receipts were about 10 percent higher in the first half of 1953 than a year earlier, principally because of higher prices received for eggs. Volume of marketings was down moderately.

Dairy products receipts in the first half of 1953 were about 5 percent below a year earlier, as an increase in marketings was accompanied by a somewhat larger decline in average prices received. In part, the lower prices resulted from an increase in manufactured milk products, prices of which are lower than for fluid milk. Fluid milk consumption was at about the same rate or a little lower. The increase in manufactured products was absorbed mainly by CCC price support purchases.



accentuated in the case of beef cattle. Beef production rose 10 percent from 1951 to 1952, and in the first half of 1953 was one-third higher than in the corresponding months of 1952. The average price declined about 5 percent from 1951 to 1952 and in the first half of 1953 was a third lower than a